



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

200818044

Uniform Issue List: 414.08-00

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T: EP: RA: UK

Attention:

LEGEND:

Entity A =

Order B =

Church C =

State D =

Plan X =

Entity E =

Directory F =

Committee G =

Entity H =

Dear :

This is in response to correspondence dated July 24, 2006, as supplemented by correspondence dated March 27, April 18, and April 19, 2007, submitted on your behalf by your authorized representatives, concerning whether Plan X qualifies as a church plan under section 414(e) of the Internal Revenue Code ("Code").

The following facts and representations have been made on your behalf:

Entity A is a not-for-profit corporation which is exempt from federal income tax under section 501(a) of the Code as an organization described in section 501(c)(3).

Entity A was formed by Order B, a religious community of Church C. Entity A incorporated under civil law pursuant to the laws of State D on June 24, .

Order B is a congregation of Church C women religious. On November 6, , Order B began its ministry to the sick and needy in State D by caring for patients and families in their own homes and the homes of Order B members. This relationship provided opportunity for prayer and spiritual guidance as integral parts of their healing mission. Within years of their arrival, Order B had built hospitals in State D.

On June 24, , the members of Order B who settled in State D, Entity E, incorporated under civil law pursuant to the laws of State D as a not-for-profit corporation called Entity A. According to its Articles of Incorporation, Entity A operates exclusively for religious, charitable, educational, and scientific purposes, within the meaning of section 501(c)(3) of the Code. Entity A's Bylaws state that the purpose of Entity A is to own, purchase, possess, manage, and provide real estate for the housing, maintaining, and operating of convents and other homes and accommodations for Entity E, and offices for the administration of, and to administer the religious, charitable, eleemosynary and educational works of Entity E in all its branches, endeavors, and departments, and to fulfill the vows, rules, regulations, and procedures, now or hereafter made or promulgated according to the General Constitutions and Statutes of Entity E. Entity A's Bylaws also provides that its members are the members of Entity E.

Entity A is controlled and managed by a Board of Directors who are members of Entity E and who are elected to certain positions pursuant to Entity E's General Constitutions and the Statutes of Entity E.

Entity A, Order B, and Entity E are listed in the most recent Directory F, the official directory of Church C.

Effective July 1, , Entity A established Plan X as a new retirement savings plan for the benefit of its employees and the employees of participating affiliates. No employees of any for-profit entities affiliated with Entity A are eligible to participate in Plan X. There are currently no affiliates participating in the Plan; all of the employees participating in Plan X are employees of Entity A. Pursuant to section 1.1 of Plan X, Entity A intended that contributions under Plan X would be used for the benefit of participants and their beneficiaries, would be excluded from the gross income of participants in accordance with section 403(b) of the Code, and would otherwise satisfy all of the requirements of section 403(b). Section 1.1 also states that it is understood that Plan X is a church plan as provided under section 414(e) of the Code and, accordingly, is not subject to the Employee Retirement Income Security Act of 1974.

In a meeting of its Board of Directors, Entity A created Committee G. The specific powers and duties of Committee G are outlined in section 8.2(b) of Plan X. Committee G has the sole responsibility for the administration of Plan X, participant claims and appeals, and general legal compliance, and is responsible for overseeing and reviewing the investment of Plan X assets. The Board of Directors of Entity A appoints the members and chairperson of Committee G, may remove members of Committee G and, in its discretion,

appoint successors to fill any vacancies. The members of Committee G may be officers, directors, employees, or agents of Entity A. The chairperson of Committee G is required to report at least annually to the Board of Directors of Entity A. The principal purpose of Committee G is the management and administration of Plan X.

Concurrent with this ruling request, it has been represented that Entity A changed its name to Entity H.

Based on the above, a ruling is requested that Plan X constitutes a church plan under 414(e) of the Code.

Section 414(e)(1) of the Code generally defines a church plan as a plan established and maintained for its employees (or their beneficiaries) by a church or a convention or association of churches which is exempt from taxation under section 501 of the Code.

Section 414(e)(3)(A) of the Code provides that a plan established and maintained for its employees (or their beneficiaries) by a church or a convention or association of churches includes a plan maintained by an organization, whether a civil law corporation or otherwise, the principal purpose or function of which is the administration or funding of a plan or program for the provision of retirement benefits or welfare benefits, or both, for the employees of a church or a convention or association of churches, if such organization is controlled by or associated with a church or a convention or association of churches.

Section 414(e)(3)(B) of the Code defines "employee" to include a duly ordained, commissioned, or licensed minister of a church in the exercise of his or her ministry, regardless of the source of his or her compensation, and an employee of an organization, whether a civil law corporation or otherwise, which is exempt from tax under section 501, and which is controlled by or associated with a church or a convention or association of churches.

Section 414(e)(3)(C) of the Code provides that a church or a convention or association of churches which is exempt from tax under section 501 shall be deemed the employer of any individual included as an employee under subparagraph (B).

Section 414(e)(3)(D) of the Code provides that an organization, whether a civil law corporation or otherwise, is associated with a church or a convention or association of churches if it shares common religious bonds and convictions with that church or convention or association of churches.

In order for an organization to have a qualified church plan, it must establish that its employees are employees or deemed employees of the church or convention or association of churches under section 414(e)(3)(B) of the Code by virtue of the organization's affiliation with the church or convention or association of churches and that the plan will be administered by an organization of the type described in section 414(e)(3)(A).

Entity A is an organization described in section 501(c)(3) of the Code which is exempt from tax under section 501(a). Entity A was formed by Order B, a religious community of Church C. The entire membership of Entity A is composed of Entity E members, who are the members of Order B who settled in State D. Entity A is controlled and managed by a

Board of Directors who are members of Entity E and who are elected to certain positions pursuant to Entity E's General Constitutions and the Statutes of Entity E.

In addition, Entity A is listed in Directory F, the official directory of Church C. The Internal Revenue Service has determined that any organization that is listed in Directory F shares common religious bonds and convictions with Church C and is deemed associated with Church C within the meaning of section 414(e)(3)(D) of the Code.

The members of Committee G may be officers, directors, employees, or agents of Entity A. The chairperson of Committee G is required to report at least annually to the Board of Directors of Entity A. The principal purpose of Committee G is the management and administration of Plan X.

In view of the stated purposes of Entity A, its structure, its actual activities, and its recognized status within Church C, Entity A employees meet the definition of section 414(e)(3)(B) of the Code and are deemed to be employees of an organization, whether a civil law corporation or otherwise, which is exempt from tax under section 501 and which is controlled by or associated with a church or convention or association of churches.

However, an organization must also establish that its plan is established and maintained by a church or a convention or association of churches or by an organization described in section 414(e)(3)(A) of the Code. To be described in section 414(e)(3)(A) of the Code, an organization must have as its principal purpose the administration of the plan and must also be controlled by or associated with a church or a convention or association of churches.

In this regard, Plan X is administered by Committee G. The specific powers and duties of Committee G are outlined in Plan X. The principal purpose of Committee G is the management and administration of Plan X. All of the members of Committee G are appointed by the Board of Directors of Entity A, which also appoints successors to fill any vacancies and may remove members.

Therefore, the administration of Plan X satisfies the requirements regarding church plan administration under section 414(e)(3)(A) of the Code. Accordingly, Plan X is maintained by an organization that is controlled by or associated with a church or convention or association of churches, and the principal purpose or function of which is the administration of Plan X for the provision of retirement benefits for the employees of Entity A and their beneficiaries.

Accordingly, with respect to your ruling request, we conclude that Plan X constitutes a church plan under section 414(e) of the Code.

No opinion is expressed as to the tax treatment of the transaction described herein under the provisions of any other section of either the Code or regulations which may be applicable thereto.

This ruling expresses no opinion with respect to whether Plan X satisfies the requirements of section 403(b) of the Code.

This letter is directed only to the taxpayer who requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

Pursuant to a power of attorney on file with this office, a copy of this letter ruling is being sent to your authorized representatives. Should you have any concerns regarding this letter, please contact _____, ID# - _____, at _____.

Sincerely yours,


_____, Manager
Employee Plans Technical Group

Enclosures:

Deleted copy of ruling letter
Notice of Intention to Disclose